



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 14, 2002

H.R. 2458 **E-Government Act of 2002**

*As ordered reported by the House Committee on Government Reform
on October 9, 2002*

SUMMARY

H.R. 2458 would authorize appropriations for programs to improve the coordination and deployment of information technology, as well as improve electronic access to government information and services. The bill would:

- Establish an Office of Electronic Government within the Office of Management and Budget (OMB),
- Create a Chief Information Officers Council,
- Establish an E-Government Fund administered through the General Services Administration (GSA),
- Create an exchange program between the federal government and the private sector to promote information technology management,
- Expand the use of information technology share-in-savings (SIS) pilot programs through 2009, and
- Allow the Census Bureau, the Bureau of Economic Analysis (BEA), and the Bureau of Labor Statistics (BLS) to share business data subject to certain confidentiality restrictions and would create new criminal penalties for violations of these restrictions.

Assuming appropriation of the necessary amounts, we estimate that implementing H.R. 2458 would cost about \$60 million in 2003 and about \$600 million over the 2003-2007 period. That spending could be partially offset by savings of up to \$10 million a year after a two- or three-year implementation period, assuming that appropriations for the Census Bureau and BLS are reduced accordingly. We also estimate that enacting the bill would increase direct

spending by \$7 million over the 2003-2007 period and \$22 million over the 2003-2012 period. That spending would be for the estimated cost of unfunded termination liability of SIS contracts authorized by the bill. CBO estimates that the provisions regarding civil and criminal penalties would have no significant effect on revenues.

H.R. 2458 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. Provisions of title II would benefit the District of Columbia by authorizing employees of the Office of the Chief Technology Officer to be assigned to a private-sector organization or an employee of such organization to be assigned to the office. Other provisions of title II could benefit state and local governments by authorizing the General Services Administration to allow them access to certain federal purchasing schedules.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

As shown in the following table, CBO estimates that implementing H.R. 2458 would cost about \$570 million over the 2003-2007 period, subject to appropriation of the necessary amounts, as well as \$8 million in new direct spending over the same period. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 500 (education, training, employment, and social services), and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Specified Authorization Level	100	74	122	170	20
Estimated Outlays	59	57	76	112	20
Electronic Government Programs					
Estimated Authorization Level	3	31	34	36	191
Estimated Outlays	2	32	34	36	165
BLS and Census Savings					
Estimated Authorization Level	0	0	-10	-10	-10
Estimated Outlays	0	0	-10	-10	-10
Total Estimated Authorization Level	103	105	146	196	201
Total Estimated Outlays	61	89	100	138	175
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	*	1	1	2	3
Estimated Outlays	*	1	1	2	3

* = Less than \$500,000.

BASIS OF ESTIMATE

For this estimate, we assume that the necessary amounts will be provided each year and that spending will follow historical patterns for similar activities. CBO estimates that H.R. 2458 would authorize the appropriation of approximately \$780 million over the 2003-2007 period for managing and promoting electronic government services and processes. This estimate assumes that funding would be adjusted for anticipated inflation.

Specific Authorizations

The bill would authorize the appropriation of \$486 million over the 2003-2007 period for the following activities:

- \$369 million for the GSA to operate the E-Government Fund for interagency projects, develop electronic signatures for executive agencies, maintain and promote the federal Internet portal, and to study disparities in access to the internet;
- \$100 million for the National Institute of Standards and Technology to create a new Office for Information Security Programs, which would conduct research and issue standards related to the security of federal information systems; and
- \$17 million for ongoing efforts, including developing and maintaining databases and websites for federally funded research, information technology training, and education.

Estimated Authorizations

The authorizations specified in H.R. 2458 would cover different time periods. For example, some are only for fiscal year 2003, but others extend for four or five years. In addition to these specified authorizations, H.R. 2458 also would authorize such sums as necessary during the next five years to fund electronic government programs. These include operating the E-Government Fund; maintaining and promoting the federal Internet portal; developing electronic signatures; developing and maintaining databases and websites for federally

funded research; and supporting information technology training, research, reports, and education. CBO estimates that continuing the activities authorized by the bill would require the appropriation of \$295 million over the 2003-2007 period, assuming adjustments for anticipated inflation.

Savings

The use of electronic information systems to collect information from the public and to provide government services could reduce administrative costs at federal agencies; however, CBO has no basis for estimating any such savings over the next few years.

CBO also expects that allowing the Census Bureau and BLS to share business data could generate cost savings for the two agencies. Under current law, statistical agencies cannot exchange such data, and therefore sometimes collect duplicative information. For example, the Census Bureau and BLS together typically spend about \$150 million a year to collect and process data for their own independent lists of business establishments. Under H.R. 5215, these agencies could create one master list and potentially reduce total data collection and maintenance costs. Based on information from the two agencies, OMB and the General Accounting Office, CBO estimates that, after an implementation period of two or three years, the Census Bureau and BLS could achieve savings of up to \$10 million annually, assuming that appropriations for the two agencies are reduced accordingly.

Direct Spending and Revenues

H.R. 2458 would authorize federal agencies to use SIS contracts for the purchase of information technology consultants and hardware through September 2009. The bill would allow up to five contracts per year in fiscal years 2003 through 2005 and up to 10 contracts per year in fiscal years 2006 through 2009.

A SIS contract can be used to procure products and services without an up-front payment. Payment for such goods and services would be made from any operational savings or increased collections generated from the contract. In addition, H.R. 2458 would allow agencies to enter into SIS contracts without funds available for the termination cost of the

contract. The bill would limit the amount of such unfunded termination liability to \$5 million per contract (or 25 percent of the termination costs, whichever is less).

For this estimate, we assume that the new authority provided by the bill would be fully used. Based on information from GSA about the current use of SIS contracts, CBO estimates that 10 percent of the SIS contracts authorized by H.R. 2458 would be terminated before completion. Assuming that SIS contracts have an average duration of five years and that the maximum termination liability could be incurred in any year, we estimate this provision would cost \$7 million over the 2003-2007 period and \$22 over the 2003-2012 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2458 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Provisions of title II would benefit the District of Columbia by authorizing employees of the Office of the Chief Technology Officer to be assigned to a private-sector organization or an employee of such organization to be assigned to the office. Other provisions of title II could benefit state and local governments by authorizing the General Services Administration to allow them access to certain federal purchasing schedules.

PREVIOUS CBO ESTIMATE

On June 7, 2002, CBO transmitted a cost estimate for S. 803, the E-Government Act of 2002, as ordered reported by the Senate Committee on Governmental Affairs on March 21, 2002. These pieces of legislation are very similar, however, the House bill would authorize the appropriation of about \$100 million more than S. 803. In addition, the House bill would authorize SIS contracts, and S. 803 would not.

Title V of H.R. 2458, concerning sharing business data among federal statistical agencies, is identical to H.R. 5215, as ordered reported by the House Committee on Government Reform on October 9, 2002, for which CBO transmitted a cost estimate on November 8, 2002. The estimated budgetary effects of those provisions are the same.

ESTIMATE PREPARED BY:

Census and BLS: Ken Johnson and Christina Hawley Sadoti

Other Federal Costs: Matthew Pickford

Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis